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Central Intelligence Agency

Washington, D.C. 20505

Executive Registry
84 - 1453/1

AH. DDI 02111/1-84

18 APR 1984

The Honorable Orrin G. Hatch
United States Senate
Washington, D.C. 20510

Dear Orrin:

I appreciate the letter from you and your colleagues concerning NATO's estimates of Soviet defense costs, which closely parallel our own.

Before turning to your questions about those estimates, I want you to know that, in our view, the only reliable measures of Soviet military power and programs are those which assess the military capabilities of the forces they have in the field. These forces, as you are well aware, are extraordinarily powerful in terms of quantity, technical sophistication, and military capability. For example, over the last decade, the Soviets produced four to five times the number of ICBMs, three times as many submarines, twice the number of tactical aircraft, and four times as many tanks as the US acquired over the same period.

Our economic assessments of Soviet defense programs do not measure Soviet might but rather attempt to measure the annual flow of resources to military forces, the impact of that effort on the Soviet economy, and offer some insight into trends over time in overall allocations to defense and relative priorities among elements of the Soviet military.The dollar comparisons also are useful for illustrating some of the Soviet size advantages. For instance, over the last decade, estimated dollar costs for Soviet ICBMs were six times as large as US outlays; in the strategic defense area (ABM, SAMs, interceptors, control and warning systems) they were 15 times US outlays; and for SLBM programs exceeded US costs by 50 percent.

Unfortunately, the Intelligence Community's work on Soviet defense expenditures is often distorted in the press and differences among intelligence agencies exaggerated. Both CIA and DIA last year testified to the Joint Economic Committee of the Congress that the rate of growth of Soviet military procurement had declined. CIA went on to observe that the latest comparisons of US and Soviet defense programs show that despite somewhat slower growth in recent years the costs of Soviet defense activities still exceed those of the United States by a large margin. In 1981, the estimated dollar costs of Soviet

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defense activities were 45 percent greater than US outlays; procurement costs -- where we have seen the most significant slowing of growth -- were also 45 percent larger. Moreover, we reminded the Committee that Soviet defense effort still is running between 13 and 14 percent of GNP -- that is, well over twice the percentage of GNP devoted to defense spending in the United States.

You should know that we also stressed to the Committee that trends in Soviet military spending, as I noted above, are not a sufficient basis to form judgments about Soviet military capabilities, which are a complex function of weapons stocks, doctrine, training, generalship and other factors important in a general conflict. The cost estimates are best used to identify shifts in priorities and trends in resource commitments to military programs over an extended period of time. Moreover, and particularly important, the spending estimates do not give an appreciation of the large stocks of strategic and conventional weapons systems already deployed. Indeed, current levels of spending are so high that despite the procurement plateau we have observed, Soviet forces have received since 1975 about 2,000 ICBMs and SLBMs, over 5,000 tactical combat or interceptor aircraft, 15,000 tanks and substantial numbers of major surface combatants SSBNs and attack submarines.

Finally, it is worth pointing out that Soviet efforts to develop advanced weapons systems continue in the 1980s at least at the rapid pace of the previous two decades. Among these are fighter and airborne control aircraft, ballistic and cruise missiles, space systems and submarines. The new systems cover the full range of technologically advanced weaponry the Soviets will need to modernize all forces. At the same time, we see continued growth in floor space of Soviet factories for the production of such weapons.

These developments would seem to suggest a return to the historical rates of growth is imminent; certainly the Soviets are putting in place the elements to make this possible. On the other hand, if technical and economic problems are important causes of the slowdown, they would have to be resolved before the Soviets can return to the historical rate of growth or more.

I hope that the above information is responsive to the concerns of you and your colleagues and that you will share it with them. We would be happy to discuss this with any of you at your convenience.

Sincerely,

/s/ William J. Casey

William J. Casey
Director of Central Intelligence

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DDI #02111-84/1
10 April 1984

MEMORANDUM FOR: Director of Central Intelligence

THROUGH : Deputy Director of Central Intelligence
Executive Director
Director, Office of Legislative Liaison

FROM : Deputy Director for Intelligence

SUBJECT : Letter from Senators on Soviet Defense Spending

1. In the attached letter on Senate Steering Committee stationery, six Republican Senators have written to express concern about NATO's estimates of Soviet defense spending -- estimates which as you probably know are based principally on CIA's work. [redacted] 25X1

2. SOVA and I have drafted a reply (also attached) for your signature to Senator Hatch on behalf of the others. The reply is based on the letter we wrote to the Washington Post last year with some additional unclassified detail. I believe that it is a good response. [redacted] 25X1

3. The basic issue is whether you should respond at all. As you know better than I do, the Senate Steering Committee is a conservative Republican group of Senators that has no formal standing in the Congress as far as I know. Providing them a substantive reply could both set an unwelcome precedent and smack of involving ourselves in partisan issues. By the same token, it seems impolitic to ignore them. [redacted] 25X1

4. I believe you should answer them but do so without reference to the Committee -- simply respond as if they had written you individually in keeping with their broad Senatorial responsibilities. I would address it to Senator Hatch as the first signatory and ask him to share it with the rest. [redacted] 25X1

25X1

[redacted]

Robert M. Gates

Attachments: two
As Stated

DCI EXEC REG

CL By Signer
DECL OADR

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DDI #02111-84/1
10 April 1984

SUBJECT: Letter from Senators on Soviet Defense Spending

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Remarks

Please prepare reply for
DCI's signature.

Executive Secretary
29 March 84
Date

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senate steering committee

Executive Registry
84-1453

March 28, 1984

The Honorable William J. Casey
Director, Central Intelligence
Agency
Washington, D.C. 20505

Dear Bill:

We are concerned about press reports that NATO recently endorsed new estimates of the Soviet defense budget which reduced previous estimates of the real growth in overall Soviet defense spending from four to five percent per year down to as low as 2.5%.

We would appreciate receiving from you an unclassified explanation of whether the growth in Soviet defense spending has actually reduced by as much as fifty percent, whether the previous estimates were correct or not, and any errors or misunderstandings that may exist about the quality of accurate estimates of Soviet defense spending.

We are sure you appreciate the difficulty in persuading our colleagues in the Senate to support the President's request for a ten percent real growth in our defense budget a few weeks after NATO and the U.S. intelligence community have apparently endorsed a fifty percent "cut" in estimated Soviet defense spending.

Thank you for your assistance.

Warmest personal regards,

Jesse Helms

Strom Thurmond

Roger W. Jepsen

John P. East

Steve Symms

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